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Bharat Maritime Insurance Pool: USD 1.5 Billion War-Risk Cover for Indian Shipping

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WHY IN NEWS

The **Department of Financial Services (DFS), Ministry of Finance**, on **May 12, 2026** formally launched the **Bharat Maritime Insurance Pool (BMIP)** – a domestic reinsurance pool with an aggregate **underwriting capacity of USD 1.5 billion** backed by a **sovereign guarantee of Rs 12,980 crore (~USD 1.4 billion)**. The pool was approved by the **Union Cabinet in April 2026**. **DFS Secretary M. Nagaraju** led the launch, with **General Insurance Corporation of India (GIC Re)** as **Pool Administrator** and member insurers drawn from the domestic general-insurance industry.

WHY NOW – THE STRAIT OF HORMUZ PREMIUM

Through April-May 2026, the **war-risk premium** on tankers transiting the **Strait of Hormuz** spiked manifold following intercepted attacks and the partial outage of the **ADNOC Habshan facility** (covered in the May 13, 2026 edition). London-market reinsurers raised premia and curtailed cover for India-linked routes. The result:

- Indian shipowners faced **prohibitive war-risk premia** in foreign markets
- Indian flag carriers and Indian-controlled vessels (Bareboat-Charter-cum-Demise) lost competitiveness
- Indian refiners and EXIM trade flow on India-bound cargoes was constrained

The BMIP is the **domestic capacity** designed to absorb this risk.

ARCHITECTURE OF THE POOL

ELEMENT	DETAIL
Pool Administrator	GIC Re (General Insurance Corporation of India)
Members	Domestic general insurers (PSU + private)
Underwriting Capacity	USD 1.5 billion
Sovereign Guarantee	Rs 12,980 crore (~USD 1.4 billion)
Risk Categories	Hull & Machinery, Cargo, P&I (Protection & Indemnity) , War Risk
Vessel Coverage	Indian-flagged or Indian-controlled; any vessel originating from or destined for an Indian port
Regulator	IRDAI

The Pool design draws on international precedents – the **Lloyd’s Joint War Committee**, the **Pool Re** terrorism reinsurance pool in the UK (1993), and Japan’s **Earthquake Reinsurance Pool**.

FIRST POLICIES ISSUED

- **Marine Hull & Machinery War Policy: Hoger Offshore and Marine Pvt Ltd** – the first policy issued under the BMIP
- Cargo policy: **Vedanta Sterlite Copper** (Tuticorin-linked operations)
- Cargo policy: **Balrampur Chini Mills** (sugar exports)

HOW A REINSURANCE POOL WORKS

- 1 Multiple primary insurers cede a specified portion of a defined risk class into a common pool
- 2 The pool spreads the aggregate liability and reinsures externally (retrocession) or with sovereign backstop
- 3 Losses are settled proportionately among pool members in line with their share
- 4 The pool standardises pricing, claims handling and exclusions for the covered risk class

This is essentially the **Marine Catastrophe (M-Cat) model** that London and Japanese markets have run for decades. India did not previously have such a pool for marine war-risk – foreign reinsurers were the principal source.

INSURANCE ARCHITECTURE IN INDIA

Regulators and Bodies

BODY	FUNCTION
IRDAI	Statutory regulator under IRDA Act, 1999; HQ Hyderabad
GIC Re	Sole Indian reinsurer; formed 1972; reorganised in 2000; HQ Mumbai
General Insurance Council	Self-regulatory body for non-life insurers
Insurance Information Bureau (IIB)	Industry data; under IRDAI

Public-Sector General Insurers

- **New India Assurance Co. Ltd**
- **The Oriental Insurance Co. Ltd**
- **National Insurance Co. Ltd**
- **United India Insurance Co. Ltd**

FDI Limits in Insurance

YEAR	CAP
2015 (Insurance Laws (Amendment) Act)	49 per cent
2021 (Finance Act amendment)	74 per cent
2026 (Union Budget 2025-26 announcement)	100 per cent (automatic route)

The 2026 hike to 100 per cent FDI complements the BMIP launch – it allows global reinsurers to take majority stakes in domestic units while a sovereign-backed pool absorbs systemic shocks.

WHY VESSEL COVERAGE MATTERS

Indian-Flagged vs Indian-Controlled

- A vessel is **Indian-flagged** if registered under the **Merchant Shipping Act, 1958**
- A vessel is **Indian-controlled** if owned/operated by an Indian entity but flagged abroad (often for tax/regulatory reasons – Singapore, Liberia, Marshall Islands)
- The BMIP covers **both**, plus **any vessel originating from or destined for an Indian port**

Maritime Hub Vision

- **Maritime India Vision 2030** and **Maritime Amrit Kaal Vision 2047**: India to become a top-10 global shipbuilding nation
- **Ports, Shipping and Waterways Ministry** under Sarbananda Sonowal
- Shipbuilding subsidy under the **Shipbuilding Financial Assistance Policy (SBFAP)**

STRATEGIC IMPLICATIONS

Indian Refiners

- IOCL, BPCL, HPCL, RIL, Nayara all have material West-Asia crude exposure
- Lower war-risk premium directly improves landed-cost economics

Defence

- The Indian Navy's anti-piracy and convoy operations in the Gulf of Aden, Bab-el-Mandeb (Op SANKALP, since 2019) are complemented by an insurance-side backstop

Foreign-Exchange

- Premium savings flow back to domestic insurers rather than London/Singapore/Tokyo reinsurance markets
- Aligned with **Atmanirbhar Bharat** in financial services

Diplomacy

- Signals to West Asia partners that Indian-controlled tonnage will not retreat in a crisis
- Complements India's energy-security architecture: SPRs (since 2018), rupee-ruble settlements, Chabahar (since 2024).

UPSC RELEVANCE

GS Paper 3 – Indian Economy

- Insurance sector reform; FDI policy; financial inclusion
- Energy security; trade and shipping
- Atmanirbhar Bharat in services

GS Paper 2 – Government policies

- Sovereign-backed pools; regulatory architecture (IRDAI, RBI, SEBI)

Mains Angles

- 1 Discuss the rationale and structural design of the Bharat Maritime Insurance Pool. How does it strengthen India's energy and trade security?
- 2 Compare BMIP with international war-risk pools – Pool Re (UK), TRIA (US), Japan Earthquake Reinsurance. Are sovereign-guaranteed pools effective?
- 3 Evaluate the 100 per cent FDI in insurance announced in 2026 against the Atmanirbhar Bharat framework.

*Bharat Maritime Insurance Pool; underwriting capacity **USD 1.5 billion**; sovereign guarantee **Rs 12,980 crore**; approved by Cabinet in **April 2026**; operationalised **May 12, 2026**; administered by GIC Re.*

*General Insurance Corporation of India; founded **1972**; sole Indian reinsurer; listed since 2017.*

*Insurance Regulatory and Development Authority of India; statutory body under the **IRDA Act, 1999**; HQ Hyderabad; chaired by **Debasish Panda** (since 2022).*

Mutual third-party liability cover for shipowners – crew injury, pollution, wreck removal, cargo damage.

*Globally dominated by the **International Group of P&I Clubs** (13 mutual clubs).*

First-party physical-damage cover for the vessel itself.

*Cover against war, hostile acts, piracy, strikes, riots, terrorism – generally excluded from standard marine cover (the **Marine Insurance Act, 1963** in India follows the UK 1906 Act).*

Choke point between Iran and Oman/UAE; ~20 mb/d transits.

*49 per cent (2015) -> 74 per cent (2021) -> **100 per cent automatic route (2026)**.*

Long-term blueprint by the Ministry of Ports, Shipping and Waterways.

Terrorism reinsurance pool established 1993 after IRA attacks – a key conceptual precedent for BMIP.

Department of Financial Services; under Ministry of Finance; nodal department for public-sector banks and insurance regulation.

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